



STATE OF CALIFORNIA

**STATE BOARD OF EQUALIZATION**

450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0089  
916-445-4272, FAX 916-324-5577  
[www.boe.ca.gov](http://www.boe.ca.gov)

BETTY T. YEE  
First District, San Francisco

SEN. GEORGE RUNNER (RET.)  
Second District, Lancaster

MICHELLE STEEL  
Third District, Rolling Hills Estates

JEROME E. HORTON  
Fourth District, Los Angeles

JOHN CHIANG  
State Controller

CYNTHIA BRIDGES  
Executive Director

May 30, 2013

Mr. Fred Klass, Director  
Department of General Services  
707 Third Street  
West Sacramento, CA 95605

Dear Mr. Klass,

I am writing with a serious concern regarding the validity of a statement made in the recent study, prepared by the Department of General Services (DGS) for submission to the Joint Legislative Budget Committee titled "Board of Equalization Relocation and Consolidation Preliminary Study" dated June 28, 2013.

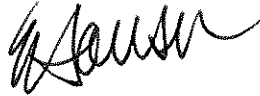
On Page 9 under the heading "Non-callable Status", the report states "The bonds issued for this facility are non-callable, which means that they can't be called, or repaid, by the issuer before its maturity". The Board of Equalization (BOE) staff questioned the validity of that statement when first reviewing the draft of the study. The DGS staff affirmed that they had checked with the Department of Finance and verified that this is an accurate statement. According to the study, prospective buyers of the 450 N Street building would have the sole option of allowing the bonds to go full term rather than being paid off early. It would be necessary to set aside sufficient funds invested in Treasury Securities in an escrow account to cover all the remaining interest payments owed to investor/bond holders.

In further investigation, BOE inquired with the California State Treasurer's Office (STO). The Public Finance Division Director, Blake Fowler, advised that the bonds document permits the bonds to be called or redeemed. The Official Statement for the Bonds includes a "make whole redemption" option that will allow the bonds to be paid off early, which directly contradicts the incorrect non-callable status statement made in this study. Mr. Fowler further advised that any bonds can be defeasible, but this is more expensive than the "make whole redemption" payment in the bond offering. Page 14 of the Official Statement for the Bonds attached here for your convenience of review, states that the "make whole redemption" option may be exercised on any date upon payment of a redemption price, to be calculated as specified.

The BOE requests that an amendment be made immediately to the Relocation and Consolidation Preliminary Study to rectify this error and send the correction to everyone who has received a copy of this study.

If you have any questions, please call me at 916-445-4272.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Houser", with a stylized, cursive script.

Liz Houser, Deputy Director  
Board of Equalization

LH:dm:lk

Enclosure

cc: Cynthia Bridges, Executive Director, BOE  
Blake Fowler, Director, Public Finance Division, STO

## **The Official Statement for the Bonds**

**Page 14**

### **Redemption Provisions of 2011E Bonds**

***Make-Whole Optional Redemption.*** The 2011E Bonds are subject to redemption prior to their stated maturity dates at the option of the Board, from any available funds, in whole or in part, in such order of maturity as may be designated by the State Treasurer, on any date, at a redemption price equal to the greater of:

- (1) the principal amount of the 2011E Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2011E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2011E Bonds are to be redeemed, discounted to the date on which such 2011E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus fifty (50) basis points;

*plus*, in each case, accrued interest on such 2011E Bonds to be redeemed to the redemption date.